

SALT POND HOMEOWNERS ASSOCIATION

December 13, 2007

NOTICE OF NON-PAYMENT

Dear Salt Pond owner:

As of December 5, 2007, your special assessment payment has not been received by Legum & Norman. Therefore, the special assessment you are required to pay is now overdue. As an owner of property in Salt Pond, the terms and conditions related to delinquent special assessments apply. Those terms and conditions were provided in the original special assessment notice and invoice, dated September 28, 2007. An additional letter, dated November 28, 2007 was also sent to remind Salt Pond Homeowners Association (SPHA) owners of their obligation to pay the assessment, along with the terms and conditions to be applied to delinquent assessments.

The terms and conditions (enclosed) state that, if a SPHA owner has not returned the payment by the end of the grace period (December 5, 2007):

- First, the owner waives the installment option and is deemed to have selected the full payment option. Therefore, the entire \$5,000 is due immediately.
- Second, a 5% late fee (\$250) is charged as a penalty for non-payment.
- Third, additional interest will accrue to SPHA owners who have not paid the special assessment by Dec. 5, 2007. This rate will be based on the applicable legal rate of interest, as provided for in the Salt Pond Declaration of Covenants, Conditions, and Restrictions ("Declaration") and under Delaware law. Currently, the applicable legal rate of interest is 9.5%.
- The \$5,250 is due immediately. In addition, simple interest of 9.5% will be charged from Dec 5, 2007 until the date your check arrives at Legum & Norman in Bethany Beach, DE. The fee and interest must be paid in order for you to receive the Certificate of Payment of the Golf Course Special Assessment. To ensure that your payment is promptly credited:
 - Pay by check or money order. Your check should be payable to **SALT POND HOA.**
 - Send your check directly to the attention Donna Hemphill, c/o Legum & Norman, C4 Edgewater, Sea Colony East, Bethany Beach, DE 19930. Note that the coupon and lock box system are no longer active.
 - Indicate on the check or money order, your **address and account/lot number.**

If we do not receive payment by Feb 5, 2008, action, as defined in Article VI, Section 7, of the Declaration, can be initiated against the owner and a lien can be placed on the property. Please pay promptly. Otherwise, SPHA may have to borrow funds to make your share of the payment, so we are not in default of the purchase agreement.

Sincerely,
The Board of the Salt Pond Homeowners Association

Enclosure: Special Assessment Terms and Conditions

Salt Pond Golf Course Special Assessment Terms and Conditions

The basic policies relating to the special assessment for acquisition of the golf course land and business are as follows:

- **Interest and transaction costs on installment payments** – Included in all first payments on November 5, 2007 is an allowance for closing costs. There are no interest or transaction fees for owners paying the full \$5,000 special assessment up front or for owners paying the first \$1,800 installment payment on time. The assessment payments, interest, and nominal transaction costs on the second and third installment payments are as follows:

On November 5, 2008 = \$1,825

On November 5, 2009 = \$1,825

- **Late fee** -- There will be a 5% late fee if payments are not received by Legum & Norman before the end of the established grace period- December 5, 2007. The second and third installment payments will be delinquent if payment is not received by December 5, 2008 and December 5, 2009, respectively.
- **Additional interest if delinquent** –If payments are not received when due – in this case no later than December 5, 2007, 2008, and 2009 -- additional interest will accrue to the delinquent homeowner. This rate will be based on the then applicable legal rate of interest, as provided for in the Salt Pond Declaration of Covenants, Conditions, and Restrictions (“Declaration”) and under Delaware law.
- **Policy on delinquent payment** – The Declaration further states: “If any Assessment is not paid on the date when due ... such Assessment shall be deemed delinquent and shall together with such interest...and cost of collection, including reasonable attorney’s fees ... continue as a lien on the lot or unit and any structure built thereon...”. For delinquent owners, privileges to SPHA recreational facilities will be suspended immediately after the grace period. SPHA can initiate foreclosure proceedings on the lien, and seek a legal judgment by which it can use legal methods to collect such judgment.
- **If owner sells before the total payment is made** – The current owner must disclose to the prospective buyer that there is a special assessment outstanding on the property. If the owner plans to settle or close on the property before the full amount of the assessment is paid, the entire payment (including interest and fees owed) is due and payable to SPHA at settlement. If the full payment is not paid prior to settlement, action, as defined in Article VI, Section 7, of the Declaration, can be initiated against the selling owner and a lien can be placed on the property. As defined in *Section 8. Subordination of the Lien to the First Mortgage*, “no sale or transfer shall relieve such lot from liability for any assessments thereafter becoming due to from the lien thereof”.
- **If owner does not respond to assessment letter** – If the owner does not respond to the assessment letter, the owner has waived the installment option and is deemed to have selected the full payment option and the full payment is due on November 5, 2007. If payment is not made by the end of the grace period, the collection process, late fee, and delinquency interest provision as defined in Article VI, Section 7, referred to above, can be initiated.

If the owner submits the assessment coupon and does not submit payment - In this case, Legum & Norman will contact the owner and ask for the owner to submit a payment. If no payment is submitted by the time the payment is due, the same policies as a “non-responding owner” will be initiated.

Important Note: If a SPHA owner does not return the coupon and payment by the end of the grace period (December 5, 2007), the owner waives the installment option and is deemed to have selected the full payment option.